NOVELLUS SYSTEMS REPORTS THIRD QUARTER RESULTS AND RECORD BOOKINGS

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San Jose, Calif. -- Oct. 11, 1999 -- Novellus Systems, Inc. (Nasdaq NM: NVLS) today reported net sales and results of operations for its third quarter ended September 25, 1999. Net sales for the quarter were $154.9 million, an increase of 45 percent over third quarter 1998 net sales of $106.7 million, and were 18 percent higher than the $130.9 million reported for the second quarter 1999. Net income of $21.8 million was recorded for the quarter, up 185 percent compared to the third quarter 1998 of $7.6 million and 75 percent higher than second quarter 1999 net income of $12.4 million. Consequently, earnings per share of $0.54 in the third quarter 1999 rose 145 percent from $0.22 in the third quarter of 1998 and increased 74 percent from the $0.31 per share reported for the second quarter 1999. The per share amounts are stated on a fully diluted basis.

Cash and short-term investments at September 25, 1999 increased to $354.2 million, up from second quarter 1999 balances of $345.3 million. Bookings in the third quarter of 1999 were the highest recorded in the Company’s history and exceeded a 1:1 book-to-bill ratio for the fourth consecutive quarter.

"Record bookings highlighted the quarter in which revenue, net income and cash generation showed continued improvement," said Richard Hill, Chairman and Chief Executive Officer. "The semiconductor industry appears to be in the early stages of a broad-based recovery, inventories are low and demand is seen across all product types, especially telecommunications and consumer electronics. Bookings and earnings strength are attributable to both capacity and technology buys of our core products."

Hill continued, "We have realigned our corporate structure to increase focus on our customers’ critical process integration issues and provide a framework for future corporate growth. The reorganization established a new unit, Integration and Advanced Development, aimed at unit process integration issues and developing risk minimization strategies for fabs working with new metals and low-k dielectric materials. We also combined the existing dielectrics and metals product lines into a focused Business Operations Group, and merged the Company’s engineering and manufacturing functions into a single organization, Systems Development, Engineering and Operations, which will help accelerate new products’ time-to-market."

During the quarter Novellus was awarded the Texas Instruments’ Supplier Excellence Award, in recognition of a supplier who has demonstrated outstanding performance and continuous improvement in supporting TI. This award was received on the heels of the Intel Preferred Quality Supplier award and followed by the NEC Outstanding Equipment Supplier award.

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: The statements regarding (i) the broad-based recovery of the semiconductor industry, (ii) the demand across all product types, especially telecommunications and consumer electronics, and (iii) the Company’s ability to provide a framework for future corporate growth, as well as other matters discussed in the news release that are not purely historical data, are forward-looking statements. The forward-looking statements involve risks and uncertainties including, but not limited to, a possible overall slowdown in new orders or a slowdown in certain product areas, the costs involved in providing a framework for growth may not be justified if that growth is not realized, and other risks indicated in filings with the Securities and Exchange Commission (SEC). Actual results could differ materially. Novellus assumes no obligation to update this information. For more details, please refer to Novellus’ SEC filings, including its most recent Annual Report on Form 10-K for the year ended December 31, 1998 and quarterly reports on Form 10-Q for the quarters ended March 27 and June 26, 1999.

Novellus Systems, Inc. manufactures, markets, and services advanced automated wafer fabrication systems for the deposition of thin films. Novellus deposition systems are designed for high-volume production of advanced, leading-edge semiconductors at the lowest overall cost. The Company's stock trades on the Nasdaq Stock Market's National Market under the symbol "NVLS". Additional information about the company is available on the Novellus Systems home page on the World Wide Web, located at http://www.novellus.com.

NOVELLUS SYSTEMS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)	Three Months Ended		Nine Months Ended	
(Unaudited)	Sept 25	Sept 26	Sept 25	Sept 26
	1999	1998	1999	1998
Net Sales	$154,916	$106,704	$401,025	$412,761
Cost of Sales	71,195	50,622	186,588	188,182
Gross Profit	83,721	56,082	214,437	224,579
Operating Expenses				
Research and Development	30,567	23,392	87,020	83,047
Selling, General and Administrative	24,549	21,478	71,148	74,577
Total Operating Expenses	55,116	44,870	158,168	157,624
Income from Operations	28,605	11,212	56,269	66,955
Interest Income Net	3,892	342	8,801	759
Income before Income Taxes	32,497	11,554	65,070	67,714

Provision for Income Taxes		10,724	3,931		21,473	23,025
Net Income		$21,773	$7,623		$43,597	$44,689
Basic Net Income Per Share		$0.56	$0.22		$1.15	$1.32
Diluted Net Income Per Share		$0.54	$0.22		$1.10	$1.28
Shares Used in Basic Calculation		38,941	34,095		37,898	33,948
Shares Used in Diluted Calculation		40,646	34,659		39,568	34,854

NOVELLUS SYSTEMS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)				
	Sept 25		December 31	
	1999		1998	

	(Unaudited)			
Assets				
Current Assets:				
Cash and Short-Term Investments	$354,219		$130,818	
Accounts Receivable, Net	184,554		173,364	
Inventories	93,849		69,223	
Deferred Taxes and Other Current Assets	28,994		25,690	
Total Current Assets	661,616		399,095	
Property and Equipment, Net	106,739		105,579	
Other Assets	64,130		47,265	
Total Assets	$832,485		$551,939	
Liabilities and Shareholders' Equity				
Current Liabilities:				
Accounts Payable	$53,370		$30,966	
Short-Term Obligations	13,213		12,986	
Other Accrued Liabilities	65,570		67,522	
Total Current Liabilities	132,153		111,474	

Long Term Debt	----------		65,000	
Total Liabilities	132,153		176,474	
Shareholders' Equity:				
Common Stock	455,651		176,140	
Retained Earnings and Accumulated Other Comprehensive Income	244,681		199,325	
Total Shareholders' Equity	700,332		375,465	
Total Liabilities and Shareholders Equity	$832,485		$551,939	

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